

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2005

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2005
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2005

Board of Education		
<u>Name</u>		<u>Term Expires</u>
Jim Black	President	September, 2007
Kirk Banks	Vice President	September, 2005
Phil Parks	Board Member	September, 2006
Gordy Johnson	Board Member	September, 2007
Denise Loutsch	Board Member	September, 2005
Jeff Klemme	Board Member	September, 2006
Roger Oetken	Board Member	September, 2005
Officials		
Ron Flynn	Superintendent	June 30, 2005
Jodi Thompson	Board Secretary/ Business Manager	June 30, 2005
James Hanks	Attorney	Indefinite

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Akron-Westfield Community School District
Akron, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Akron-Westfield Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Akron-Westfield Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Akron-Westfield Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005 on our consideration of the Akron-Westfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Akron-Westfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information, included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in

our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
August 19, 2005

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Akron-Westfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$4,980,616 in fiscal 2004 to \$5,103,895 in fiscal 2005, while general fund expenditures increased from \$4,510,393 in fiscal 2004 to \$4,654,763 in fiscal 2005. The District's General fund balance increased from \$45,868 in fiscal 2004 to \$421,664 in fiscal 2005, an 819% increase.

The overall increase in the General fund balance is attributable to reduction of staff and programs along with other measures taken to control expenditures. This has been an on-going process at the Akron-Westfield Community School District since there has been a deficit General fund balance since fiscal year 1998.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Akron-Westfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Akron-Westfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

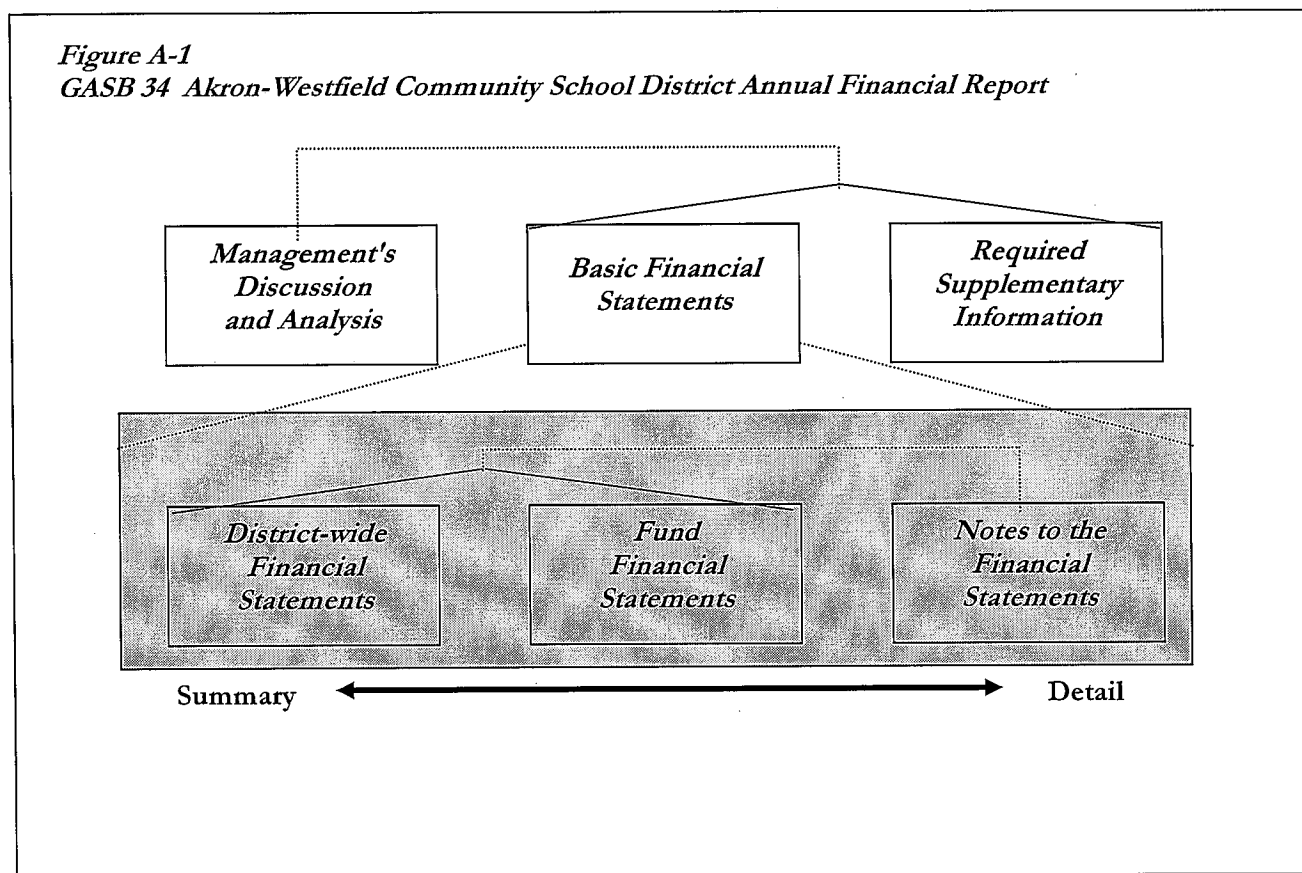


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

- 3) *Fiduciary funds:* Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's agency funds include the athletic boosters account and the employee flex account.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Current and other assets	\$ 4,178,139	\$ 5,453,572	\$25,608	\$26,997	\$ 4,203,747	\$ 5,480,569	30.37%
Capital Assets	3,668,165	3,578,091	14,153	16,980	3,682,318	3,595,071	-2.37%
Total Assets	7,846,304	9,031,663	39,761	43,977	7,886,065	9,075,640	15.08%
Long-term debt outstanding	2,453,355	2,538,954	559	1,250	2,453,914	2,540,204	3.52%
Other Liabilities	3,481,182	3,892,473	-	-	3,481,182	3,892,473	11.81%
Total Liabilities	5,934,517	6,431,427	559	1,250	5,935,076	6,432,677	8.38%
Net Assets							
Invested in capital assets, net of related debt	1,550,515	178,052	14,153	16,980	1,807,091	195,032	-89.21%
Restricted	256,576	1,912,796	-	-	256,576	1,912,796	645.51%
Unrestricted	104,696	509,388	25,049	25,747	129,745	535,135	312.45%
Total Net Assets	1,911,787	\$2,600,236	\$39,202	\$42,727	\$1,950,989	\$2,642,963	35.47%

The District's combined net assets increased by just over 35% or approximately \$692,000 over the prior year. The governmental activities increased \$688,000 and the business type activities increased \$4,000. The large increase in the governmental activities was due to increases in the tax and intergovernmental revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4

Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2004	2005	2004	2005	2004	2005	
Revenue:							
Program Revenue:							
Charges for Services	\$ 925,038	\$ 987,180	\$ 140,097	\$ 140,574	\$ 1,065,135	\$ 1,127,754	5.88%
Operating and Capital grants, contributions, and restricted interest	630,553	501,001	111,032	106,946	741,585	607,947	-18.02%
General Revenue:							
Property Tax	2,017,967	2,093,189	-	-	2,017,967	2,093,189	3.73%
Local Option Sales Tax	-	268,359	-	-	-	268,359	100.00%
State Aid	1,862,119	2,093,359	-	-	1,862,119	2,093,359	12.42%
Investment Earnings	12,702	41,043	24	75	12,726	41,118	223.12%
Use of Money & Property	41,560	43,029	-	-	41,560	43,029	3.53%
Other	72,521	55,346	-	-	72,521	55,346	-23.68%
TOTAL REVENUE	5,562,460	6,082,506	251,153	247,595	5,813,613	6,330,101	8.88%
Expenses:							
Instruction	3,220,666	3,405,674	-	-	3,220,666	3,405,674	5.74%
Support Services	1,548,850	1,511,893	-	-	1,548,850	1,511,893	-2.39%
Non-instructional	201,652	150,487	240,841	244,070	442,493	394,557	-10.83%
Other expenses	292,727	326,003	-	-	292,727	326,003	11.37%
TOTAL EXPENSES	5,263,895	5,394,057	240,841	244,070	5,504,736	5,638,127	2.42%
Change in Net Assets	298,565	688,449	10,312	3,525	308,877	691,974	124.03%

Property tax and state aid account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Figure A-5

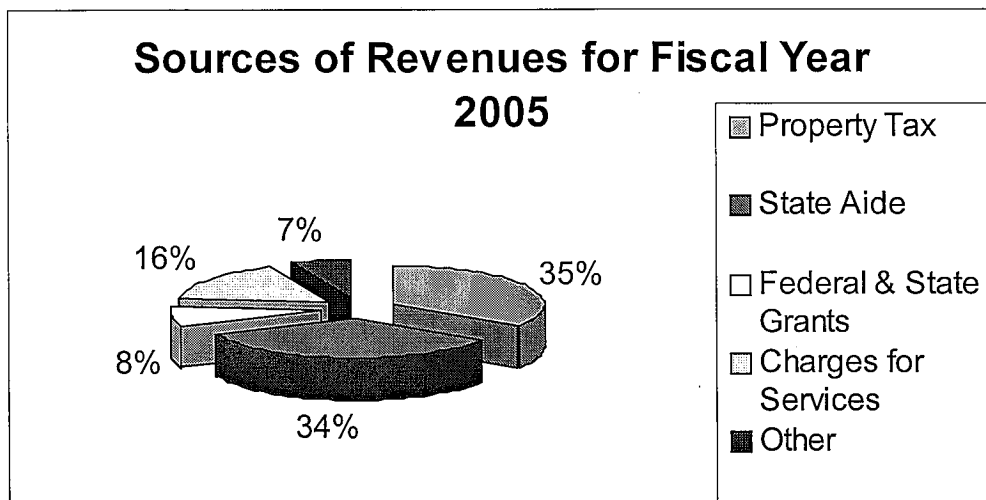
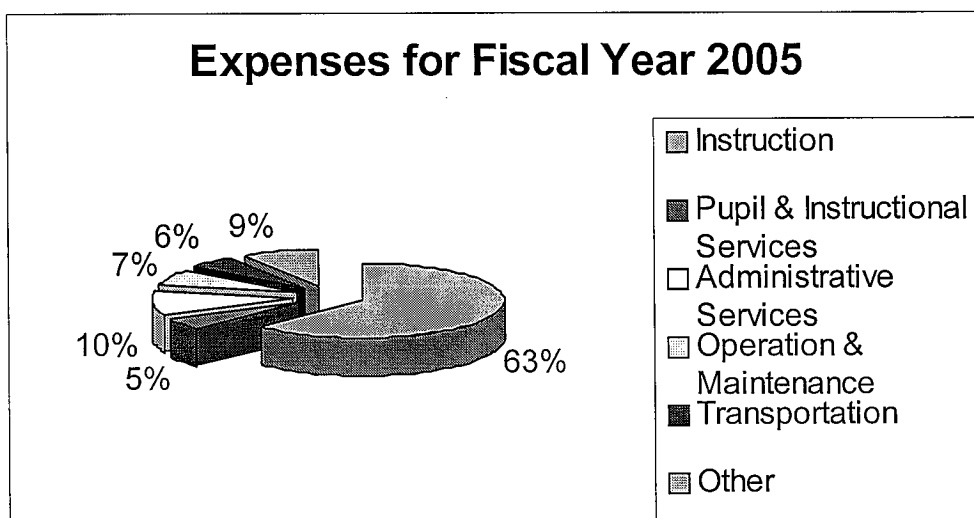


Figure A-6



Governmental Activities

Revenues for governmental activities were \$6,082,506 and expenses were \$5,394,057. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-7

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2004	2005		2004	2005	
Instruction	\$3,220,666	\$3,405,674	5.74%	\$1,986,920	\$2,165,468	8.99%
Support Services	1,548,850	1,511,893	-2.39%	1,409,479	1,463,183	3.81%
Non-Instructional	201,652	150,487	-25.37%	201,652	150,487	-25.37%
Other Expenses	292,727	326,003	11.37%	110,253	126,738	14.95%
TOTAL	\$5,263,895	\$5,394,057	2.47%	\$3,708,304	\$3,905,876	5.33%

- The cost financed by users of the District's programs was \$987,180.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$501,001.
- The net cost of governmental activities was financed with \$2,093,183 in property taxes and \$2,093,359 in unrestricted state grants.

Business Type Activities

Revenues for business type activities (school food and nutrition services) totaled \$247,520 and expenses were \$244,070. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Akron-Westfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,452,002, above last year's ending fund balances of \$451,385.

Governmental Fund Highlights

- The General Fund balance increased from \$45,868 in fiscal 2004 to a positive balance of \$421,664 in fiscal 2005. This is primarily due to program and staff reductions and other cost savings measures.
- The Debt Service Fund balance increased \$1,461,168 during fiscal 2005. This increase is due to the crossover refunding of general obligation bonds during the year.
- The Management Levy fund balance decreased from \$42,983 in fiscal 2004 to a deficit of \$65,653 in fiscal 2005. The decrease is due to costs incurred related to early retirements and rising business insurance costs. The deficit will be funded through future property tax revenue.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$156,800 in fiscal 2004 to \$214,407 in fiscal 2005.
- The Capital Projects fund balance increased from a deficit of \$52,557 in fiscal 2004 to a deficit of \$27,257 in fiscal 2005. This deficit will be funded by future operating revenues.

Proprietary Fund Highlights

School Nutrition fund net assets increased from \$39,202 at June 30, 2004 to \$42,727 at June 30, 2005.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2005, the District had invested \$7,617,639 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8). Total depreciation expense for the year was \$206,020.

The largest changes in capital asset activity during the year occurred in the construction in progress category. The District began a flooring project during the fiscal that will be completed in fiscal year 2006.

Figure A-8 - Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2004	2005	2004	2005	2004	2005	2004-2005
Land	\$ 11,388	\$ 11,388	-	-	\$ 11,388	\$ 11,388	-
Land Improvements	222,860	216,151	-	-	222,860	216,151	-3.0%
Const. In Progress	-	22,884	-	-	-	22,884	100.0%
Buildings and improvements	5,845,297	5,845,297	-	-	5,845,297	5,845,297	-
Furniture and Equipment	1,411,483	1,431,834	84,779	90,085	1,496,262	1,521,919	1.7%
Total	\$ 7,491,028	\$ 7,527,554	\$ 84,779	\$ 90,085	\$ 7,575,807	\$ 7,617,639	0.6%

Long-Term Debt

At year-end, the District had \$1,570,00 in general obligation bonds and \$1,500,000 in General Obligation Refunding Bonds outstanding, \$246,039 in general fund loans, \$84,000 in general obligation capital loan notes, and \$57,434 in early retirement obligations.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The improving national economy has not positively impacted the State of Iowa's budget to the point where adequate state funding has become a reality. In addition, recent natural disasters in the Gulf Coast region of the United States will most assuredly impact the national economy, gasoline and diesel fuel prices, and the cost of utilities for district buildings. It remains to be seen the specific impact of these event on federal, state and local budgets.
- Under Iowa's school funding formula, the District is highly dependent on student enrollment. The District trend of declining enrollment will continue into the 2005-2006 with the loss of 1.4 students. The District also contracts in students from the Greater Hoyt District in South Dakota this enrollment has remained steady, but projections show a decline in future years. The gradual phasing out of budget guarantee will also have an impact on our funding.

Dakota this enrollment has remained steady, but projections show a decline in future years. The gradual phasing out of budget guarantee will also have an impact on our funding.

- The District began receiving revenue from a one (1) percent local option sales tax during fiscal year 2005. This tax, voted in for ten (10) years, will provide revenue for capital repairs and improvement.
- The District issued General Obligation Refunding Bonds – Series 2004 on December 1, 2005. This issue will have a savings of \$76,528 beginning over the period of FY 2007 through FY 2015, with the largest amount of \$54,800 in FY 2015.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Thompson, District Secretary/Treasurer, Akron-Westfield Community School District, 850 Kerr Drive, Akron, Iowa 51001.

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 1,269,769	\$ 19,922	\$ 1,289,691
Receivables:			
Property Tax	50,000		50,000
Succeeding Year Property Tax	1,976,121		1,976,121
Accrued Interest	7,118		7,118
Accounts	14,389		14,389
Due from Other Governments	150,318		150,318
Restricted Assets:			
Cash with Fiscal Agents	1,455,135		1,455,135
ISCAP Investments	436,257		436,257
Inventories		7,075	7,075
Bond Discounts	30,504		30,504
Land	11,388		11,388
Construction in Progress	22,884		22,884
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	3,543,819	16,980	3,560,799
Total Assets	8,967,702	43,977	9,011,679
LIABILITIES			
Accounts Payable	64,229	1,250	65,479
Salaries and Benefits Payable	413,091		413,091
Accrued Interest Payable	12,584		12,584
Deferred Revenue - Succeeding Year Taxes	1,976,121		1,976,121
ISCAP Unamortized Premium	2,586		2,586
ISCAP Interest Payable	6,382		6,382
Noncurrent Liabilities:			
Debt Due Within One Year:			
ISCAP Warrants Payable	435,000		435,000
General Obligation Capital Loan Notes	28,000		28,000
Notes Payable	82,171		82,171
Early Retirement Payable	1,800		1,800
Bonds Payable	1,570,000		1,570,000
Due in More Than One Year:			
General Obligation Capital Loan Notes	56,000		56,000
Notes Payable	163,868		163,868
Early Retirement Payable	55,634		55,634
Bonds Payable	1,480,000		1,480,000
Total Liabilities	6,347,466	1,250	6,348,716
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	178,052	16,980	195,032
Restricted for:			
Educational Excellence - Phase III	2,800		2,800
Debt Service	1,523,163		1,523,163
Physical Plant and Equipment Levy	214,407		214,407
Other Special Revenue Purposes	172,426		172,426
Unrestricted	509,388	25,747	535,135
Total Net Assets	\$ 2,600,236	\$ 42,727	\$ 2,642,963

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,152,302	\$ 520,944	\$ 257,777	
Special Instruction	546,674	142,608	27,265	
Other Instruction	706,698	278,513	13,099	
Support Services:				
Student Services	148,036	8,050		
Instructional Staff Services	136,598			
Administration Services	532,148			
Operation and Maintenance	390,436			
Transportation Services	304,675	37,065	3,595	
Non-instructional Programs	150,487			
Other Expenditures:				
Facilities Acquisition and Construction Services	516			15,162
Long-term Debt Interest	141,384			
AEA Flowthrough	184,103		184,103	
Total governmental activities	<u>5,394,057</u>	<u>987,180</u>	<u>485,839</u>	<u>15,162</u>
Business Type Activities				
Non-instructional Programs				
Food Service Operations	<u>244,070</u>	<u>140,574</u>	<u>106,946</u>	
Total	<u>\$ 5,638,127</u>	<u>\$ 1,127,754</u>	<u>\$ 592,785</u>	<u>\$ 15,162</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Use of money and property				
(Loss) on Disposal of Fixed Assets				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,373,581)		\$ (1,373,581)
(376,801)		(376,801)
(415,086)		(415,086)
(139,986)		(139,986)
(136,598)		(136,598)
(532,148)		(532,148)
(390,436)		(390,436)
(264,015)		(264,015)
(150,487)		(150,487)
14,646		14,646
(141,384)		(141,384)
-		-
<u>(3,905,876)</u>		<u>(3,905,876)</u>
	\$ 3,450	3,450
<u>(3,905,876)</u>	<u>3,450</u>	<u>(3,902,426)</u>
2,093,189		2,093,189
268,359		268,359
2,093,359		2,093,359
41,043	75	41,118
43,029		43,029
(3,354)		(3,354)
58,700		58,700
<u>4,594,325</u>	<u>75</u>	<u>4,594,400</u>
688,449	3,525	691,974
<u>1,911,787</u>	<u>39,202</u>	<u>1,950,989</u>
<u>\$ 2,600,236</u>	<u>\$ 42,727</u>	<u>\$ 2,642,963</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
JUNE 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Pooled Investments	\$ 693,917	\$ 117,717	\$ 458,135	\$ 1,269,769
Receivables:				
Property Tax	41,474	5,345	3,181	50,000
Succeeding Year Property Tax	1,563,461	202,900	209,760	1,976,121
Accrued Interest	5,910		1,208	7,118
Accounts	14,389			14,389
Due from Other Funds	96,463		10,620	107,083
Advance to Other Funds	1,593		62,368	63,961
Due from Other Governments	42,894	20,866	86,558	150,318
Restricted Assets:				
Cash with Fiscal Agents		1,455,135		1,455,135
Investments	436,257			436,257
Total Assets	2,896,358	1,801,963	831,830	5,530,151
Liabilities and Equity				
Liabilities:				
Accounts Payable	37,275	150	26,804	64,229
Due to Other Funds	10,620		96,463	107,083
Advance from Other Funds		62,368	1,593	63,961
Salaries and Benefits Payable	413,091			413,091
Early Retirement Payable			1,800	1,800
Unearned Revenue	6,279	798	819	7,896
Deferred Revenue - Succeeding Year Taxes	1,563,461	202,900	209,760	1,976,121
ISCAP Unamortized Premium	2,586			2,586
ISCAP Interest Payable	6,382			6,382
ISCAP Warrants Payable	435,000			435,000
Total Liabilities	2,474,694	266,216	337,239	3,078,149
Fund Balances:				
Reserved for:				
Educational Excellence- Phase III	2,800			2,800
Debt Service		1,535,747		1,535,747
Unreserved for:				
General Fund	418,864			418,864
Special Revenue Fund			324,180	324,180
Capital Project Fund			170,411	170,411
Total Fund Balances	421,664	1,535,747	494,591	2,452,002
Total Liabilities and Equity	\$ 2,896,358	\$ 1,801,963	\$ 831,830	\$ 5,530,151

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2005

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 2,452,002
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,578,091
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,584)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	30,504
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	7,896
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,455,673)</u>
Total Net Assets - Governmental Activities (page 15)	<u>\$ 2,600,236</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenue:				
Local Sources:				
Local Tax	\$ 1,720,775	\$ 198,221	\$ 442,795	\$ 2,361,791
Tuition	579,088			579,088
Other	160,439	30,469	295,287	486,195
State Sources	2,466,361	182	94	2,466,637
Federal Sources	177,232			177,232
Total Revenue	5,103,895	228,872	738,176	6,070,943
Expenditures:				
Current:				
Instruction:				
Regular Instruction	2,088,506		80,512	2,169,018
Special Instruction	546,674			546,674
Other Instruction	426,920		290,299	717,219
Support Services:				
Student Services	161,488			161,488
Instructional Staff Services	156,101			156,101
Administration Services	497,072		15,573	512,645
Operation and Maintenance	326,016		95,467	421,483
Transportation Services	267,383		61,195	328,578
Non-instructional Programs	500			500
Other Expenditures:				
Facilities Acquisition and Construction Services			516	516
Long-term Debt:				
Principal		217,611		217,611
Interest and Fiscal Charges		154,390		154,390
AEA Flowthrough	184,103			184,103
Total Expenditures	4,654,763	372,001	543,562	5,570,326
Excess (Deficiency) of Revenues Over Expenditures	449,132	(143,129)	194,614	500,617
Other Financing Sources (Uses):				
Transfers In		104,297	500	104,797
Transfers Out	(73,336)		(31,461)	(104,797)
Proceeds from Issuance of Long-Term Debt		1,500,000		1,500,000
Total Other Financing Sources (Uses)	(73,336)	1,604,297	(30,961)	1,500,000
Net Change in Fund Balances	375,796	1,461,168	163,653	2,000,617
Fund Balances - Beginning of Year	45,868	74,579	330,938	451,385
Fund Balances - End of Year	\$ 421,664	\$ 1,535,747	\$ 494,591	\$ 2,452,002

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18) \$ 2,000,617

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	98,305	
Depreciation expense	<u>(203,541)</u>	(105,236)

Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.	15,162
--	--------

Accrued interest expense that does not require current financial resources	(3,800)
--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	47,534
------------------	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	(244)
---	-------

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	16,805
--	--------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Repaid	217,611	
Issued	<u>(1,500,000)</u>	(1,282,389)

Change in net assets of governmental activities (page 20)	<u>\$ 688,449</u>
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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
JUNE 30, 2005

	Business Type Activity School Nutrition Fund
ASSETS	
Current Assets:	
Cash and Pooled Investments	\$ 19,922
Inventories	7,075
Total Current Assets	<u>26,997</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>16,980</u>
Total Noncurrent Assets	<u>16,980</u>
Total Assets	<u>43,977</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>1,250</u>
Total Current Liabilities	<u>1,250</u>
Total Liabilities	<u>1,250</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	16,980
Unrestricted	<u>25,747</u>
Total Net Assets	<u>\$ 42,727</u>

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	Business Type Activity School Nutrition Fund
Operating Revenues:	
Charges for services	\$ 140,189
Miscellaneous	385
Total Operating Revenue	<u>140,574</u>
Operating Expenditures:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	90,515
Benefits	40,089
Purchased Services	2,246
Supplies	108,741
Depreciation	<u>2,479</u>
Total Operating Expenses	<u>244,070</u>
Operating (Loss)	<u>(103,496)</u>
Non-Operating Revenues (Expenditures)	
Interest Income	75
State Lunch Reimbursements	3,567
National School Lunch Program	84,513
Federal Food Commodities Received	<u>18,866</u>
Total Non-Operating Revenues	<u>107,021</u>
Change in net assets	3,525
Net Assets - Beginning	<u>39,202</u>
Net Assets - Ending	<u><u>\$ 42,727</u></u>

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Proprietary Fund
For the Year Ended June 30, 2005

	Business Type Activity School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 140,189
Cash received from miscellaneous operating activities	385
Cash paid to employees for services	(130,604)
Cash paid to suppliers for goods or services	(90,777)
Total cash (used) by operating activities	<u>(80,807)</u>
Cash flows from noncapital financing activities:	
State grants received	3,567
Federal grants received	84,513
Total cash provided by noncapital financing activities	<u>88,080</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(5,306)</u>
Cash flows from investing activities:	
Interest on investments	<u>75</u>
Net increase in cash and cash equivalents	2,042
Cash and cash equivalents - beginning of year	<u>17,880</u>
Cash and cash equivalents - end of year	<u><u>19,922</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(103,496)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation expense	2,479
Commodities used	18,866
(Increase) decrease in assets and increase (decrease) in liabilities:	
Inventories	653
Accounts Payable	<u>691</u>
Net cash (used) in operating activities	<u><u>\$ (80,807)</u></u>
Non-cash investing, capital and financing activities:	
Federal food commodities received	<u><u>\$ 18,866</u></u>

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
June 30, 2005

ASSETS

Cash and Pooled Investments	\$ 1,628
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Total Assets	<u>1,628</u>
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LIABILITIES

Due to Others	<u>1,628</u>
---------------	--------------

Total Liabilities	<u>1,628</u>
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NET ASSETS

Unrestricted	<u>-</u>
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Total Net Assets	<u><u>\$ -</u></u>
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See Accompanying Notes to Financial Statements

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Akron-Westfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Akron and Westfield, Iowa, the predominate agricultural territory in Plymouth County, and the Greater Hoyt Independent School District in Union County, South Dakota through the Interstate School District Compact. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Akron-Westfield Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Akron-Westfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND TYPES

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The District's fiduciary funds include the following:

The Athletic Boosters fund is used to account for revenues earned and expenditures incurred by the Akron-Westfield Community School District Athletic Boosters.

The Employee Flex Account fund is used to account for employee contributions to flexible spending accounts and for disbursements made to those employees for the eligible expenses they incur.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

Debt Service – See the description on the previous page.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District's capitalization thresholds are as follows: Land, \$2,000; Building and Improvements, \$10,000; Furniture and Equipment purchased in a Governmental Fund, \$2,000; and Equipment purchased in the School Nutrition Fund, \$500.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa School Cash Anticipation Program as follows:

	Amortized Cost
Guaranteed Interest Contract	<u>\$ 436,257</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investments in the Iowa School Cash Anticipation Program were rated Aaa by Moody's Investors Service.

NOTE 3 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer From	Transfer To	Amount
General	Debt Service	\$ 72,836
General	Special Revenues: Student Activities	500
Special Revenue:		
Physical Plant & Equipment Levy	Debt Service	<u>31,461</u>
Total		<u>\$ 104,797</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 4 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/05	1/27/06	\$ 436,257	\$ 5,910	\$ 435,000	\$ 6,382

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05B	3.500%	3.2320%

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities:				
Capital assets not being depreciated:				
Construction in Progress	-	\$ 22,884	-	\$ 22,884
Land	\$ 11,388	-	-	11,388
Total capital assets not being depreciated	11,388	22,884	-	34,272
Capital assets being depreciated:				
Buildings	5,845,297	-	-	5,845,297
Improvements other than buildings	222,860	-	6,709	216,151
Furniture and equipment	1,411,483	93,938	73,587	1,431,834
Total capital assets being depreciated	7,479,640	93,938	80,296	7,493,282
Less: Accumulated Depreciation for:				
Buildings	2,335,962	149,987	-	2,485,949
Improvements other than buildings	135,776	9,801	3,354	142,223
Furniture and equipment	1,351,125	43,753	73,587	1,321,291
Total Accumulated Depreciation	3,822,863	203,541	76,941	3,949,463
Total capital assets being depreciated, net	3,656,777	(109,603)	(3,355)	3,543,819
Governmental activities capital assets, net	\$ 3,668,165	\$ (86,719)	\$ (3,355)	\$ 3,578,091
Business-type Activities:				
Furniture and equipment	\$ 84,779	5,306	-	90,085
Less: Accumulated Depreciation	70,626	2,479	-	73,105
Business-type activities capital assets, net	\$ 14,153	\$ 2,827	-	\$ 16,980

Construction in progress consisted of costs incurred in connection with a flooring project, remaining estimated costs to complete this project is estimated at approximately \$78,000.

Depreciation expenses was charged to the functions of the as follows:

Governmental Activities:	
Regular Instruction	\$ 17,366
Non-Instructional Programs	149,987
Operation and Maintenance	9,801
Transportation Services	26,387
Total depreciation expenses – governmental activities	\$ 203,541
Business-type activities:	
Food Service Operations	\$ 2,479

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business- Type Activities
Construction in Progress	\$ 22,884	-
Land	11,388	-
Capital Assets (net of accumulated depreciation)	3,543,819	\$ 16,980
Less: Bonds Payable	3,070,000	-
Notes Payable	246,039	-
General Obligation Capital Loan Notes	84,000	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 178,052</u>	<u>\$ 16,980</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,680,000		\$ 110,000	\$ 1,570,000	\$ 1,570,000
General Obligation Refunding Bonds		\$ 1,500,000		1,500,000	
General Obligation Capital Loan Notes	112,000		28,000	84,000	28,000
Notes Payable	325,650		79,611	246,039	82,171
Early Retirement	105,532		48,078	57,434	1,800
Governmental Activities Long-Term Liabilities	<u>\$ 2,223,182</u>	<u>\$ 1,500,000</u>	<u>\$ 265,709</u>	<u>\$ 3,457,473</u>	<u>\$ 231,971</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2005 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Series 1995	5.10-5.40%	<u>\$ 1,570,000</u>
Governmental Activities – Series 2004 Refunding	2.60-4.10%	<u>\$ 1,500,000</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 6 – LONG-TERM LIABILITIES – (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	1,570,000	82,900
2007	145,000	76,780
2008	155,000	70,405
2009	155,000	63,520
2010	165,000	196,480
2011-2015	880,000	10,800
Total	<u>\$ 3,070,000</u>	<u>\$ 500,885</u>

In December 2004 the District issued \$1,500,000 of General Obligation Refunding Bonds in a crossover advance refunding of the 1995 General Obligation Notes. The 2004 bonds have an average interest rate of 3.75% and the 1995 bonds being refunded have an average interest rate of 5.33%. The net proceeds from this issuance were used to purchase a U.S. government securities and were deposited in an escrow account with Bankers Trust Company. As of the balance sheet date, the amount in escrow was \$1,455,135. This amount will be used to refund the remaining \$1,570,000 of the 1995 notes on May 31, 2006 when these notes become callable. The assets deposited with the escrow agent and the liability for the crossover bonds is included in the District's Debt Service Fund financial statements. As a result of this refunding, the District will reduce its debt service payments over the next ten years by \$53,850, and obtain an economic gain of \$55,071.

General Obligation Capital Loan Notes

On November 1, 2003, the District issued \$140,000 general obligation capital loan notes with an interest rate of 3.05% to provide funds for capital improvements. The notes will be repaid with proceeds from the voter approved physical plan and equipment levy and physical plant and equipment income surtax.

The annual debt service requirements to maturity for general obligation capital loan notes are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	28,000	2,562
2007	28,000	1,708
2008	28,000	854
Total	<u>\$ 84,000</u>	<u>\$ 5,124</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 6 – LONG-TERM LIABILITIES – (CONTINUED)

Notes Payable

During the year ended June 30, 1998, the District borrowed \$705,000 by issuing two separate capital loan notes for \$455,000 and \$250,000, respectively, to fund the construction of a wind generator. During the year ended June 30, 2001, the District entered into a \$51,647 loan agreement with the Hoyt School District to purchase a school bus. The loan is interest free and will be repaid with a reduction of transportation charges over the next ten years. Details of the District's notes payable are as follows:

Year Ending June 30,	\$455,000 Note Payable			\$250,000 Note Payable No Interest	\$51,647 Note Payable No Interest
	Principal	4.85% Interest	Total	Principal Only	Principal Only
2006	50,855	7,159	58,014	26,316	5,000
2007	53,351	4,663	58,014	26,316	5,000
2008	57,554	1,386	58,760		5,000
2009					5,000
2010					5,000
2011-2015					6,647
Total	\$ 161,760	\$ 13,208	\$ 174,788	\$ 52,632	\$ 31,647

Early Retirement

During 1993, the Board of Education established an early retirement policy. All licensed professional employees who have completed at least 15 years of service within the District and are between the ages of 55 and 62 are eligible to make application for retirement benefits. Benefits are payable in two equal installments on January 20 of the two succeeding years after retirement. Benefits are based upon thirty percent of the employee's current salary plus 0.5 percent of current salary for each year of credited experience. In addition, the District will apply \$141 for retirees prior to fiscal year 2004 and \$300 for retirees in fiscal year 2004 and thereafter, on a monthly basis, towards an employee benefit until the earlier of the employee's death or reaching age 65.

Early retirement benefits paid during the year ended June 30, 2005 totaled \$47,534. The cost of early retirement payments expected to be liquidated within 60 days have been recorded as a liability of the Special Revenue, Management Levy Fund in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 7 – INTERFUND RECEIVABLES & PAYABLES

As of June 30, 2005, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Capital Projects	\$ 35,664
PPEL	General	10,620
General	Management	60,799
		<u>\$ 107,083</u>

As of June 30, 2005, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
PPEL	Debt Service	\$ 62,368
General	Capital Projects	1,593
		<u>\$ 63,961</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2005

NOTE 8 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$169,755, \$170,729, and \$167,090 respectively, equal to the required contributions for each year.

NOTE 9 – RISK MANAGEMENT

Akron-Westfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$184,103 for the year ended June 30, 2005 and is recorded in the General Fund.

NOTE 11 – DEFICIT FUND BALANCE

As of June 30, 2005, the following fund had a deficit fund balance in the amount shown:

Management Levy	<u>\$ 62,653</u>
Capital Projects	<u>\$ 37,257</u>

The deficit will be funded by future operating revenues and property tax levies.

REQUIRED SUPPLIMENTARY INFORMATION

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, GENERAL FUND - CASH BASIS
For the Year Ended June 30, 2005

	General Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts		Actual	
	Original	Amended		
Revenue:				
Local Sources:				
Local Tax	\$ 1,723,150	\$ 1,723,150	\$ 1,723,953	\$ 803
Tuition	630,000	630,000	580,145	(49,855)
Other	250,000	250,000	159,295	(90,705)
State Sources	2,466,911	2,466,911	2,478,605	11,694
Federal Sources	333,000	333,000	193,642	(139,358)
Total Revenue	5,403,061	5,403,061	5,135,640	(267,421)
Expenditures:				
Current:				
Instruction	3,647,220	3,647,220	3,235,172	412,048
Support Services	1,565,000	1,565,000	1,259,111	305,889
Non-instructional Programs	45,000	45,000	500	44,500
Other Expenditures	174,945	174,945	184,103	(9,158)
Total Expenditures	5,432,165	5,432,165	4,678,886	753,279
Excess (Deficiency) of Revenues Over Expenditures	(29,104)	(29,104)	456,754	485,858
Other Financing Sources (Uses):				
Transfers Out	(135,000)	(135,000)	(73,336)	(208,336)
Total Other Financing Sources (Uses)	(135,000)	(135,000)	(73,336)	(208,336)
Net Change in Fund Balances	(164,104)	(164,104)	383,418	547,522
Fund Balances - Beginning of Year	164,104	164,104	406,962	730,434
Fund Balances - End of Year	\$ -	\$ -	\$ 790,380	\$ 1,277,956

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reports
June 30, 2005

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

The District's legal compliance for budget to actual comparison is specified in the Code of Iowa and is for expenditures by functional area. The District budgets on a cash basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared for all funds except the agency funds.

During the fiscal year 2005, there were no budget amendments.

The following schedule demonstrates the District's legal compliance to the budget.

Function	Original Budget	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Instruction	\$ 4,225,468	\$ 4,225,468	\$ 3,546,541	\$ 678,927
Support Services	2,001,060	2,001,060	1,459,121	541,939
Non-instructional Programs	344,362	344,362	246,052	98,310
Other Expenditures	810,673	810,673	595,481	215,192
	<u>\$ 7,381,563</u>	<u>\$ 7,381,563</u>	<u>\$ 5,847,195</u>	<u>\$ 1,534,368</u>

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2004-2005 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenses/expenditures to cash basis at the end of the year are as follows:

	Governmental Fund Types		
	General		Modified Accrual Basis
	Cash Basis	Accrual Adjustments	
Revenues	\$ 5,135,640	\$ (31,745)	\$ 5,103,895
Expenditures	4,678,886	(24,123)	4,654,763
Net	456,754	(7,622)	449,132
Other Financing Sources (Uses)	(73,336)	-	(73,336)
Beginning Fund Balance	406,962	(361,194)	45,868
Ending Fund Balance	<u>\$ 790,380</u>	<u>\$ (368,716)</u>	<u>\$ 421,664</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reports
June 30, 2005

Governmental Fund Types

		<u>Debt Service</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 224,825	\$ 4,047	\$ 228,872
Expenditures	371,850	151	372,001
Net	(147,025)	3,896	(143,129)
Other Financing Sources (Uses)	1,604,297	-	1,604,297
Beginning Fund Balance	115,580	(41,001)	74,579
Ending Fund Balance	<u>\$ 1,572,852</u>	<u>\$ (37,105)</u>	<u>\$ 1,535,747</u>

Governmental Fund Types

		<u>Non Major Funds</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 676,799	\$ 61,377	\$ 738,176
Expenditures	550,907	(7,345)	543,562
Net	125,892	68,722	194,614
Other Financing Sources (Uses)	(30,961)	-	(30,961)
Beginning Fund Balance	266,741	64,197	330,938
Ending Fund Balance	<u>\$ 361,672</u>	<u>\$ 132,919</u>	<u>\$ 494,591</u>

Governmental Fund Types

		<u>Totals</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 6,037,264	\$ 33,679	\$ 6,070,943
Expenditures	5,601,643	(31,317)	5,570,326
Net	435,621	64,996	500,617
Other Financing Sources (Uses)	1,500,000	-	1,500,000
Beginning Fund Balance	789,283	(337,398)	451,885
Ending Fund Balance	<u>\$ 2,724,904</u>	<u>\$ (272,902)</u>	<u>\$ 2,452,002</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reports
June 30, 2005

	<u>Proprietary Fund Type</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues	\$ 158,515	\$ (17,941)	\$ 140,574
Expenses	245,552	(1,482)	244,070
Net	(87,037)	(16,459)	(103,496)
Other Financing Sources (Uses)	89,079	17,942	107,021
Beginning Net Assets	17,880	21,322	39,202
Ending Net Assets	<u>\$ 19,922</u>	<u>\$ 22,805</u>	<u>\$ 42,727</u>

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OTHER SUPPLIMENTARY INFORMATION

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2005

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 1,719,572
Mobile Home Tax	1,203
	<u>1,720,775</u>

Other Local Sources:

Interest on Investments	29,966
Tuition from Other Districts	579,088
Transportation Fees	37,065
Miscellaneous	93,408
	<u>739,527</u>
	<u>2,460,302</u>

State Sources:

State Foundation Aid	2,063,058
Instructional Support State Aid	24,326
Educational Excellence Program:	
Phase I	50,625
Phase II	44,390
Non-Public Transportation Aid	2,854
Teacher Compensation	50,969
Vocational Education Aid	4,575
Revenue in Lieu of Taxes - Military Credit	1,413
AEA Flow-Through	184,103
Iowa Early Intervention Block Grant	31,121
Other State Aid	8,927
	<u>2,466,361</u>

Federal Sources:

Title I Grants to Local Educational Agencies	51,378
Safe and Drug-Free Schools and Communities-States Grants	1,335
Innovative Education Program Strategies (Title V Program)	3,142
Vocational Education - Basic Grants to States	3,524
Special Education - Grants to States	27,265
Title VI Grants for Assessments and Related Activities	3,762
Learn and Serve America School and Community Based Programs	5,000
Improving Teacher Quality State Grants	16,806
Medical Assistance Program (Title XIX Program)	64,670
Other	350
	<u>177,232</u>
Total Revenue	<u>\$ 5,103,895</u>

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
For the Year Ended June 30, 2005

Schedule 1 (Continued)

Expenditures:	
Instruction:	
Regular Instruction:	
Salaries	\$ 1,389,491
Benefits	496,151
Services	132,483
Supplies	67,888
Property	150
Other	2,343
	<u>2,088,506</u>
Special Education Instruction:	
Salaries	348,649
Benefits	114,175
Services	73,234
Supplies	10,490
Other	126
	<u>546,674</u>
Vocational Instruction:	
Salaries	154,000
Benefits	51,476
Services	449
Supplies	11,810
Property	2,782
Other	989
	<u>221,506</u>
Co-curricular Instruction:	
Salaries	93,123
Benefits	11,866
	<u>104,989</u>
Other Instruction:	
Salaries	42,668
Benefits	16,341
Services	41,104
Supplies	312
	<u>100,425</u>
Total Instruction	<u><u>3,062,100</u></u>
Support Services:	
Student Services:	
Guidance Services:	
Salaries	80,549
Benefits	19,721
Services	79
Supplies	3,343
Property	605
Other	140
	<u>104,437</u>
Appraisal Services:	
Services	3,762
	<u>\$ 3,762</u>
	Continued

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
For the Year Ended June 30, 2005

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Health Services:

Salaries	\$ 45,175
Benefits	6,385
Supplies	1,729
	<u>53,289</u>

Total Student Services

161,488

Total Student Services

161,488

Instructional Staff:

Improvement of Instruction Services:

Salaries	3,291
Benefits	438
Services	4,083
Supplies	166
	<u>7,978</u>

Educational Media Services:

Salaries	47,801
Benefits	10,983
Services	20
Supplies	20,913
Property	50,343
	<u>130,060</u>

Total Instructional Staff Services

138,038

Total Instructional Staff

138,038

Administration:

Executive Administration:

Salaries	78,000
Benefits	24,391
Services	16,644
Supplies	429
Property	453
Other	840
	<u>120,757</u>

School Administration:

Salaries	202,335
Benefits	54,078
Services	1,800
Supplies	422
Other	2,286
	<u>\$ 260,921</u>

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
For the Year Ended June 30, 2005

Schedule 1 (Continued)

Support Services (Continued):

Administration (Continued):

Business Administration:

Salaries	\$ 33,425
Benefits	12,415
Services	4,558
Supplies	94
Iowa School Cash Anticipation Program:	
Interest	12,215
Issuance Costs	3,915
Other	478
	<u>67,100</u>

Board of Education:

Services	38,348
Supplies	9,533
Other	413
	<u>48,294</u>

Total Administration Services:

497,072

Plant Operation and Maintenance:

Salaries	97,891
Benefits	28,345
Services	51,409
Supplies	147,795
Property	576
	<u>326,016</u>

Student Transportation:

Salaries	154,317
Benefits	31,453
Services	23,300
Supplies	57,935
Property	378
	<u>267,383</u>

Other Support Services:

Services	4,975
Supplies	9,821
Property	3,267
	<u>18,063</u>

Total Support Services

1,408,060

Non-instructional Programs:

Community Services:

Services	500
	<u>\$ 500</u>

Continued

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
For the Year Ended June 30, 2005

Schedule 1 (Continued)

Other Expenditures:	
AEA Flow-Through	\$ 184,103
Total Expenditures	4,654,763
Excess of Revenues Over Expenditures	449,132
Other Financing Uses:	
Transfers To Other Funds	(73,336)
Excess of Revenues Over Expenditures and Other Financing Uses	375,796
Fund Balance - Beginning of Year	45,868
Fund Balance - End of Year	\$ 421,664

See Accompanying Notes to Financial Statements

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2005

	Special Revenue Funds		
	Management Levy	Physical Plant and Equipment Levy	Student Activity
Assets			
Cash and Pooled Investments		\$ 139,085	\$ 176,777
Receivables:			
Property Tax	\$ 1,225	1,956	
Succeeding Year Property Tax	135,000	74,760	
Accrued Interest		648	560
Due from Other Funds		10,620	
Advance to Other Funds		62,368	
Due from Other Governments			
Total Assets	136,225	289,437	177,337
Liabilities and Equity			
Liabilities:			
Accounts Payable	730		4,911
Due to Other Funds	60,799		
Advance from Other Funds			
Early Retirement Payable	1,800		
Unearned Revenue	549	270	
Deferred Revenue - Succeeding Year			
Property Taxes	135,000	74,760	
Total Liabilities	198,878	75,030	4,911
Fund Balances:			
Unreserved for:			
Special Revenue Fund	(62,653)	214,407	172,426
Capital Project Fund			
Total Fund Balances	(62,653)	214,407	172,426
Total Liabilities and Equity	\$ 136,225	\$ 289,437	\$ 177,337

See Accompanying Notes to Financial Statements

Schedule 2

Capital Projects	Capital Projects LOST	Total
	\$ 142,273	\$ 458,135
		3,181
		209,760
		1,208
		10,620
		62,368
	86,558	86,558
-	228,831	831,830
	21,163	26,804
\$ 35,664		96,463
1,593		1,593
		1,800
		819
		209,760
37,257	21,163	337,239
		324,180
(37,257)	207,668	170,411
(37,257)	207,668	494,591
\$ -	\$ 228,831	\$ 831,830

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2005

	Special Revenue Funds		
	Management Levy	Physical Plant and Equipment Levy	Student Activity
Revenue:			
Local Sources:			
Local Tax	\$ 29,668	\$ 144,768	
Other	-	1,474	\$ 278,513
State Sources	27	67	-
Total Revenue	<u>29,695</u>	<u>146,309</u>	<u>278,513</u>
Expenditures:			
Current:			
Instruction:			
Regular Instruction	74,230	-	-
Other Instruction	-	-	290,299
Support Services:			
Administration Services	15,573	-	-
Operation and Maintenance	34,623	6,685	-
Transportation Services	10,905	50,290	-
Other Expenditures:			
Facilities Acquisition and Construction	-	266	-
Total Expenditures	<u>135,331</u>	<u>57,241</u>	<u>290,299</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>(105,636)</u>	<u>89,068</u>	<u>(11,786)</u>
Other Financing Sources (Uses):			
Transfers In	-	-	500
Transfers Out	-	(31,461)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(31,461)</u>	<u>500</u>
Net Change in Fund Balances	(105,636)	57,607	(11,286)
Fund Balances - Beginning of Year	<u>42,983</u>	<u>156,800</u>	<u>183,712</u>
Fund Balances - End of Year	<u>\$ (62,653)</u>	<u>\$ 214,407</u>	<u>\$ 172,426</u>

See Accompanying Notes to Financial Statements

Schedule 3

Capital Projects	Capital Projects LOST	Total
	\$ 268,359	\$ 442,795
\$ 15,300	-	295,287
-	-	94
15,300	268,359	738,176
-	6,282	80,512
-	-	290,299
-	-	15,573
-	54,159	95,467
-	-	61,195
-	250	516
-	60,691	543,562
15,300	207,668	194,614
-	-	500
-	-	(31,461)
-	-	(30,961)
15,300	207,668	163,653
(52,557)	-	330,938
\$ (37,257)	\$ 207,668	\$ 494,591

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2005

					Schedule 4
	Balance June 30, 2004	Revenues	Expenditures	Operating Transfers	Balance June 30, 2005
Adult Education	\$ 291				\$ 291
Ag. And Industrial Arts Resale	2,972	\$ 906	\$ 1,881		1,997
Alumni	475				475
Art Club	753	53			806
Art-Science Trip	430	13,848	14,172		106
Athletics	39,181	61,122	61,935		38,368
Athletic Pop	19,382	12,445	19,156		12,671
AW Store	5,078	10,156	10,539		4,695
Class of 2005	1,061			(1,061)	-
Class of 2006	-	6,565	6,584		(19)
Class of 2007	-	2,044	3,105	1,061	-
Climate Committee	(48)	318	729		(459)
Coaches Towels	(191)	3,173	3,056		(74)
Concessions	5,500	25,146	25,146		5,500
Drill Team	4,239	8,629	9,411		3,457
Extra Duty	619				619
Future Farmers of America	5,060	29,298	27,050		7,308
Family Career Community Leader of America	1,342	2,346	3,045		643
High School Student Council	5,767	8,208	7,285		6,690
Home Economics	504		27		477
Interest/Student Management	15,651	3,418	2,132		16,937
Kindergarten Milk	1,332	863	609		1,586
Lakeside Lab	506	6,420	7,082		(156)
Medicaid Adm. Claim	658				658
Middle School Student Council	7,319	24,758	21,877		10,200
Music - Instrumental	8,639	9,915	12,158		6,396
Music - Vocal	9,146	10,117	7,827		11,436
National Honor Society	27		66		(39)
Pep Club	3,868	3,688	2,044		5,512
Physical Education Revolving	6,688	685			7,373
Pictures	1,871				1,871
Project Prom	4,286	6,045	6,930	500	3,901
Revolving	2,265				2,265
Scholarship	711	800	600		911
Speech	942	691	1,239		394
TAG	-	1,653	1,632		21
Textbooks	6,589	13,461	19,659		391
Thespians	5,910	1,549	2,190		5,269
Towel	10,275	1,695	3,050		8,920
Western Roundup	4,614	8,498	8,083		5,029
	<u>\$ 183,712</u>	<u>\$ 278,513</u>	<u>\$ 290,299</u>	<u>\$ 500</u>	<u>\$ 172,426</u>

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Comparison of Taxes and Intergovernmental Revenues and Receipts
For the Years Ended June 30, 2005, 2004, 2003, 2002

Schedule 5

	Modified Accrual Basis of Accounting			
	2005	2004	2003	2002
Local Sources:				
Local Taxes:				
Property Taxes	\$ 2,185,813	\$ 1,861,717	\$ 1,978,452	\$ 1,807,172
Mobile Home Taxes	1,429	1,306	1,394	1,359
Instructional Support Income Taxes	174,549	155,699	48,303	49,170
	<u>2,361,791</u>	<u>2,018,722</u>	<u>2,028,149</u>	<u>1,857,701</u>
State Sources:				
State Foundation Aid	2,063,058	1,821,776	1,833,864	1,942,151
School Improvement Technology Funding		-	-	12,350
Instructional Support State Aid	24,326	23,339	24,878	28,679
Teacher Quality & Salary Improvement	50,969	48,302	42,852	44,363
Educational Excellence Program:				
Phase I	50,625	53,404	55,761	55,761
Phase II	44,390	44,594	45,392	49,369
Phase III		-	11,279	28,212
Non-Public Transportation	2,854	3,246	1,967	2,685
Vocational Education Aid	4,575	3,979	4,151	5,019
Revenue in Lieu of Taxes - Military Credit	1,413	1,759	1,852	1,929
Iowa Early Intervention Block Grant	31,121	34,502	36,878	35,751
State Lunch Reimbursements	3,567	3,499	3,832	-
AEA Flow-Through	184,103	182,474	182,778	177,086
Other	9,203	21,110	13,870	26,591
	<u>2,470,204</u>	<u>2,241,984</u>	<u>2,259,354</u>	<u>2,409,946</u>
Federal Sources:				
Title I Grants to Local Educational Agencies	51,378	73,081	54,937	53,660
Class Size Reduction		-	-	10,653
Grants for Assessments & Related Activities				
(Title VI A Program)	3,762	3,780	3,150	-
Safe and Drug Free Schools and Communities -				
State Grants	1,335	3,475	3,396	1,130
Innovative Education Program Strategies				
(Title VI Program)	27,265	3,105	3,176	3,392
National School Lunch Program	84,513	81,282	77,108	60,527
Century 21 Grant		128,125	168,394	112,478
Food Distribution	18,866	26,251	24,573	27,798
Child Nutrition School Breakfast		-	-	11,641
Learn & Serve America Community Based Programs		4,500	5,000	-
Special Education - Grants to States		20,949	14,293	-
Improving Teacher Quality State Grants	16,806	16,891	17,937	-
Eisenhower Professional Development - State Grants		-	1,482	-
Americorps		699	627	-
Medical Assistance Program (Title XIX Program)	64,670	96,212	-	-
Other	12,016	847	9,435	13,982
	<u>280,611</u>	<u>459,197</u>	<u>383,508</u>	<u>295,261</u>
Total	<u>\$ 5,112,606</u>	<u>\$ 4,719,903</u>	<u>\$ 4,671,011</u>	<u>\$ 4,562,908</u>

See Accompanying Notes to Financial Statements

**AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS**

Fiduciary Funds
JUNE 30, 2005

Schedule 6

	Athletic Boosters	Employee Flex Account	Total
ASSETS			
Cash and Pooled Investments	\$ -	\$ 1,628	\$ 1,628
Total Assets	-	1,628	1,628
LIABILITIES			
Due to Others	-	1,628	1,628
Total Liabilities	\$ -	\$ 1,628	\$ 1,628

See Accompanying Notes to Financial Statements

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
JUNE 30, 2005

				Schedule 7
	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Athletic Boosters				
<i>Assets</i>				
Cash and Pooled Investments	\$ -	\$ 24,931	\$ 24,931	\$ -
Total Assets	-	24,931	24,931	-
<i>Liabilities</i>				
Due to Others	-	24,931	24,931	-
Total Liabilities	-	24,931	24,931	-
Employee Flex Account				
<i>Assets</i>				
Cash and Pooled Investments	-	37,872	36,244	1,628
Total Assets	-	37,872	36,244	1,628
<i>Liabilities</i>				
Due to Others	-	37,872	36,244	1,628
Total Liabilities	-	37,872	36,244	1,628
Total				
<i>Assets</i>				
Cash and Pooled Investments	-	62,803	61,175	1,628
Total Assets	-	62,803	61,175	1,628
<i>Liabilities</i>				
Due to Others	-	62,803	61,175	1,628
Total Liabilities	\$ -	\$ 62,803	\$ 61,175	\$ 1,628

See Accompanying Notes to Financial Statements

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Schedule 8

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Schedule 8 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

II-A-05 Financial Accounting – Segregation of Duties

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that invoices/claims are not paid until reviewed by the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Schedule 8 (Continued)

Part III: Other Findings Related to Statutory Reporting:

- | | |
|----------|--|
| III-A-05 | <u>Official Depositories</u> – Official depositories have been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year. |
| III-B-05 | <u>Certified Budget</u> – Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted. |
| III-C-05 | <u>Questionable Disbursements</u> – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. |
| III-D-05 | <u>Travel Expense</u> – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. |
| III-E-05 | <u>Business Transactions</u> – There were no business transactions between the District and District officials or employees during the year ended June 30, 2005. |
| III-F-05 | <u>Bond Coverage</u> – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. |
| III-G-05 | <u>Board Minutes</u> – No transactions requiring Board approval that had not been approved by the Board were noted. |
| III-H-05 | <u>Certified Enrollment</u> – No variances in the basic enrollment data certified to the Department of Education were noted. |
| III-I-05 | <u>Deposits and Investments</u> – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted. |

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Schedule 8 (Continued)

Part III: Other Findings Related to Statutory Reporting – (Continued):

III-J-05 Certified Annual Report – The Certified Annual Report was not filed timely with the Department of Education.

Recommendation – We recommend that the District file the Certified Annual Report by September 15 as required by the State in future years.

Response – The District will take the steps necessary to ensure that the report is filed timely in the future.

Conclusion – Response accepted.

III-K-05 Financial Condition – The District had deficits in the management levy and capital projects funds at June 30, 2005.

Recommendation – The District should investigate alternatives to significantly reduce and/or eliminate this deficit.

Response – The District is aware of this situation and will investigate alternatives to significantly reduce and/or eliminate these deficits by June 30, 2005.

Conclusion – Response accepted.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Akron-Westfield Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 18, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Akron-Westfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Akron-Westfield Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Akron-Westfield Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that

might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-05 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Akron-Westfield Community School District and other parties to whom the Akron-Westfield Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Akron-Westfield Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company P.C.
Certified Public Accountants

Le Mars, Iowa
August 19, 2005